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FTB NOTICE 99-3

March 29, 1999

**SUBJECT: REQUEST FOR PUBLIC COMMENT
DISCUSSION DRAFT ADDITION TO REGULATION SECTION 25137(c)**

The Franchise Tax Board staff has prepared a discussion draft of a proposed addition to the regulations adopted under Revenue and Taxation Code Section 25137. The proposed addition provides for exclusion from the sales factor of substantial gross receipts derived from the occasional sale of intangible assets. Regulation section 25137(c) provides for special rules with respect to the sales factor of the apportionment formula.

Due to the potentially broad impact of this addition to the regulations, the Franchise Tax Board staff is making the draft of the proposed change and a brief explanation of the proposed addition available to the public for review and comment prior to formal regulatory notice.

For further information regarding this notice, contact Beverly Moore at the Franchise Tax Board Legal Branch, P.O. Box 1720, Rancho Cordova, CA 95741-1720; Tel.: (916) 845-3354; Fax: (916) 845-3648; E-Mail: bev_moore@ftb.ca.gov. The draft and explanation are also available at the Franchise Tax Board's website at www.ftb.ca.gov.

Written comments may also be addressed to Beverly Moore and should be submitted by May 10, 1999. If significant public interest is voiced and written comments are received, the department will hold a public meeting or symposium on this proposed addition prior to commencement of the formal hearing process for approval. If the discussion draft of the regulation is officially noticed, comments received in response to this notice as well as symposium comments will be entered into the regulation record. Participants may comment at the symposium without name attribution. A summary of the symposium will be made available to all participants, and will also be entered into the regulation record, if any.

The department has tentatively scheduled a symposium to discuss the discussion draft addition to the regulation on June 25, 1999, at the Franchise Tax Board, Central Office, 9645 Butterfield Way, Sacramento, CA, in Room 1040 of Phase II, beginning at 10:00 am.

If no public interest is voiced and no written comments are received by May 10, 1999, the symposium will be canceled. Notice of cancellation will be published on the Franchise Tax Board's website on May 17, 1999. If you have any questions regarding the symposium, please contact Ms. Moore.

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If you are interested in obtaining supplements to the draft proposed addition to the regulations or the formal notice of a proposal to amend the regulation, in the event such a notice is issued, please advise Ms. Moore at the above address and she will add your name to the mailing list.

The principal author of this notice is Carl Joseph of the Franchise Tax Board Legal Branch. Mr. Joseph at the Franchise Tax Board may be contacted at the Franchise Tax Board, Legal Branch, P. O. Box 1720, Rancho Cordova, CA 95741-1720.